

TREASURY - OPERATIONS

PUBLIC ACT 310 OF 1998

Analyst: Craig Thiel

	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1997-98	
			AMOUNT	PERCENT
FTE POSITIONS	1,747.0	1,713.0	(34.0)	(1.9)
GROSS	\$245,254,800	\$244,468,100	(\$786,700)	(0.3)
IDG/IDT	15,301,200	15,603,700	302,500	2.0
ADJUSTED GROSS	\$229,953,600	\$228,864,400	(\$1,089,200)	(0.5)
FEDERAL	38,702,700	39,076,100	373,400	1.0
LOCAL	2,180,700	2,237,000	56,300	2.6
PRIVATE	0	175,000	175,000	0.0
OTHER	126,575,400	135,374,400	8,799,000	7.0
GF/GP	\$62,494,800	\$52,001,900	(\$10,492,900)	(16.8)

HB 5595

Referred to
Appropriations
02/19/98

Passed House
05/13/98

Passed Senate
05/27/98

Conference
Approved by House
07/01/98

Conference
Approved by Senate
07/01/98

Effective
07/30/98

OVERVIEW - DEPARTMENT OF TREASURY - OPERATIONS

Under the direction of the State Treasurer, the Department of Treasury collects, invests and disburses state monies, administers state tax laws, safeguards the credit of the state and local governments, audits county and municipal finance records, cares for abandoned property through escheat, and provides support to various authorities. In FY 1995-96, the Department generated 96.0% of the total state tax collections.

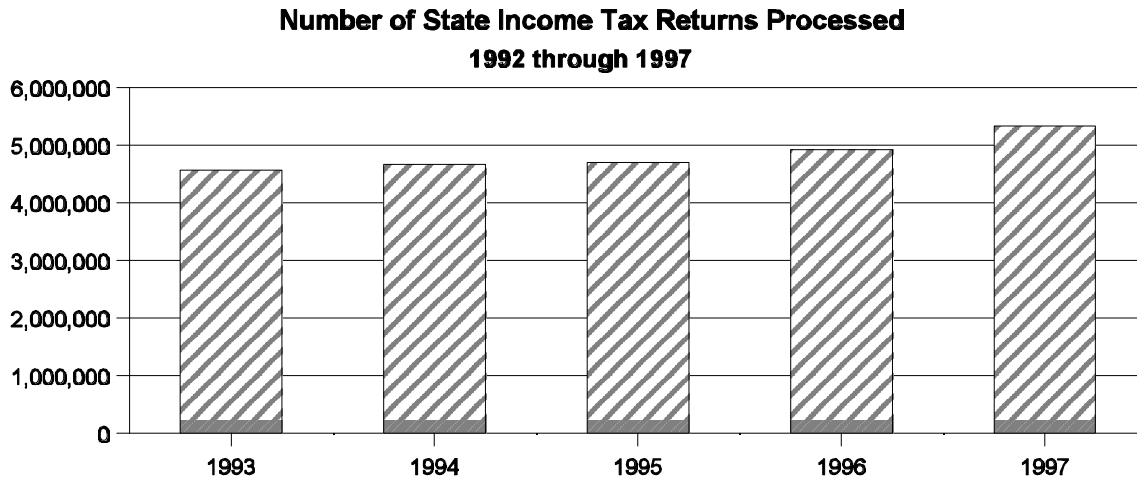
The State Treasurer also manages the state's common cash so funds not needed to pay immediate obligations are invested to earn income. The chart at the end of this section depicts the year-end balance of the total manageable common cash from the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust, and Agency Funds. Although year-end cash balances have generally increased over the period shown (primarily as a result of growth in the BSF), during any given year the amount of manageable cash available each month fluctuates considerably.

The Bureau of State Lottery and the Debt Service/Revenue Sharing areas of the Department of Treasury's budget are not included here; these areas appear separately in this report. The budgetary areas covered here include executive direction, department-wide services, local government, tax administration, management, financial/investment, and local grant programs.

The FY 1998-99 budget provides \$244.5 million Gross and \$52.0 million GF/GP, a decrease of 0.3% and 16.8% respectively, below FY 1997-98 YTD appropriation levels. The marked decrease in GF/GP appropriations from FY 1997-98 levels is primarily attributable to elimination of the state Community Policing Grant program, resulting in a total savings of nearly \$10.2 million. The FY 1997-98 budget contained \$10.0 million for state assistance in meeting local matching requirements under the federal Violent Crime Control and Law Enforcement Act of 1994 for the federal Community Oriented Policing Services (COPS) program. The COPS program is designed to provide resources to hire additional local police officers. The FY 1997-98 appropriation is intended to cover the state's share of the costs for the additional officers for each of the next three years.

The budget includes \$3.7 million (Gross) to cover the full-year costs of state oversight activities provided by the Departments of Attorney General, State Police, and Treasury associated with Detroit casinos. The enacted budget reduces the amount appropriated for Tax Increment Finance Authority payments to local governments by nearly \$2.0 million (Gross and GF/GP) to reflect the state's anticipated obligations. The budget also provides \$542,400 (Gross) to cover increased operational costs of the state's tax audit system resulting from increased data storage rates charged by DMB.

The following chart highlights the number of state income tax returns processed by the Department for the time period FY 1993 through FY 1997.



Source: Michigan Department of Treasury

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
1. Program Elimination - Community Policing Grants	FTEs	(3.0)
The enacted budget eliminates state GF/GP funding for the community policing grant program and for administration of the program. The 1997-98 budget contains \$10.0 million (GF/GP) for grants to locals for community policing and \$180,000 (GF/GP), 3.0 FTEs, for the administration of the program.	Gross	(\$10,180,000)
	GF/GP	(\$10,180,000)
2. Program Enhancement - Casino Gaming	FTEs	42.0
The budget provides funding for full-year costs of state oversight activities associated with Detroit casinos. The total funding will be distributed among the Departments of Attorney General, State Police, and Treasury to cover the various responsibilities each will have in overseeing Detroit casinos. Funding is from the fees paid by casinos to cover state regulatory costs.	Gross	\$3,700,000
	GF/GP	\$0
3. Program Reduction - TIFA Payments	Gross	(\$1,999,900)
The budget reduces the amount available for Tax Increment Finance Authority (TIFA) payments to local jurisdictions to reflect estimated state obligations. The state makes these payments to locals to cover lost property tax revenue resulting from Proposal A of 1994. The total amount available for FY 1998-99 TIFA payments is \$4.0 million.	GF/GP	(\$1,999,900)

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
4. Program Transfer - Native American Casino Oversight	FTEs	2.0
The Native American Casino Oversight Program is transferred from the Michigan Department of Agriculture to the Michigan Gaming Control Board. As a result, all state casino gaming oversight responsibilities are centralized in Treasury.	Gross	\$175,000
	GF/GP	\$0
5. Program Enhancement - Convention Facility Fund	Gross	\$2,000,000
The budget includes a \$2.0 million (Gross) increase for distributions from the Convention Facility Development Fund. The revenue received in this fund and available for distribution has been increasing. Revenue is generated by a tax on hotel room charges in Wayne, Oakland, and Macomb Counties and a state-wide 4% tax on the retail selling price of spirits. The revenue is first used to satisfy the debt service on the Cobo Hall expansion with the remainder being distributed to counties on a per-capita basis.	GF/GP	\$0
6. Funding Adjustment - ESKORT Tax Audit System	Gross	\$542,400
The budget provides \$542,400 (Gross) for additional operational costs of the tax audit system (ESKORT) resulting from increased data storage rates charged by DMB.	GF/GP	\$0
7. Program Enhancement - Senior Citizen Cooperative Housing	Gross	\$610,000
The enacted budget includes a 5% increase in the Senior Citizen Cooperative Housing Tax Program to support new facilities and assessment increases. This program provides local governments with lost property tax revenue resulting from the exemption of senior citizen cooperative housing.	GF/GP	\$610,000
8. New Program - Act 487 Savings	Gross	\$170,600
Section 52 of PA 487 of 1996 requires DMB to annually calculate the savings from implementation of the new Defined Contribution retirement plan. Once estimated, these savings must be included in the Executive Budget recommendation for appropriation in the next succeeding fiscal year to the health insurance reserve fund of the State Employees Retirement System. Savings are what the State would have paid had these employees become members of the old defined benefit plan versus the new Defined Contribution plan. The budget appropriates \$170,600 as GF/GP savings in FY 1998-99 to the health insurance reserve fund.	GF/GP	\$170,600

ECONOMIC AND RETIREMENT ISSUES: FY 1998-99

ECONOMIC ISSUES

1. <i>Standard Economic Adjustments</i> The budget includes additional funding for standard economic adjustments associated with salaries and wages, insurances for employees, building occupancy charges, motor transport, and worker's compensation. Cost savings for retirement result from changing actuarial funding methods and assumptions in the State Employees' Retirement System.	Gross GF/GP	\$440,700 \$66,700
2. <i>Unclassified Positions</i> Included is funding to provide a 3.0% increase to the Department's unclassified positions line item over the FY 1997-98 level.	Gross GF/GP	\$18,400 \$14,700

RETIREMENT ISSUES

None

MAJOR BOILERPLATE CHANGES: FY 1998-99
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Community Policing

The enacted budget eliminates current-year language (Section 959d) that establishes the community policing program within the Department of Treasury and sets guidelines for local law enforcement agencies who receive grant funding from the state.

VETOES: FY 1998-99

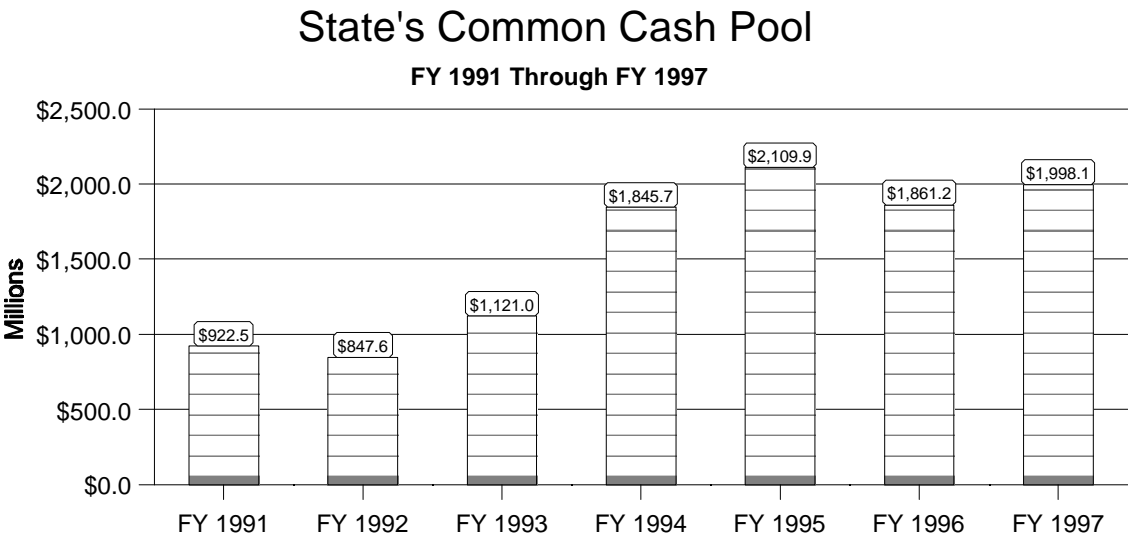
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REVENUE INCREASES: FY 1997-98

None

SUPPLEMENTAL APPROPRIATIONS: FY 1997-98
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<i>Retirement Savings</i> Retirement savings are realized from changing the actuarial funding methods and assumptions of the State Employees' Retirement System. These savings are reflected in a negative supplemental appropriation for FY 1997-98.	Gross GF/GP	(\$3,332,000) (\$846,600)
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Source: Michigan Department of Treasury

BUREAU OF STATE LOTTERY

PUBLIC ACT 310 OF 1998

Analyst: Craig Thiel

	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1997-98	
			AMOUNT	PERCENT
FTE POSITIONS	203.0	203.0	0.0	0.0
GROSS	\$36,870,200	\$33,853,600	(\$3,016,600)	(8.2)
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$36,870,200	\$33,853,600	(\$3,016,600)	(8.2)
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	36,870,200	33,853,600	(3,016,600)	(8.2)
GF/GP	\$0	\$0	\$0	0.0

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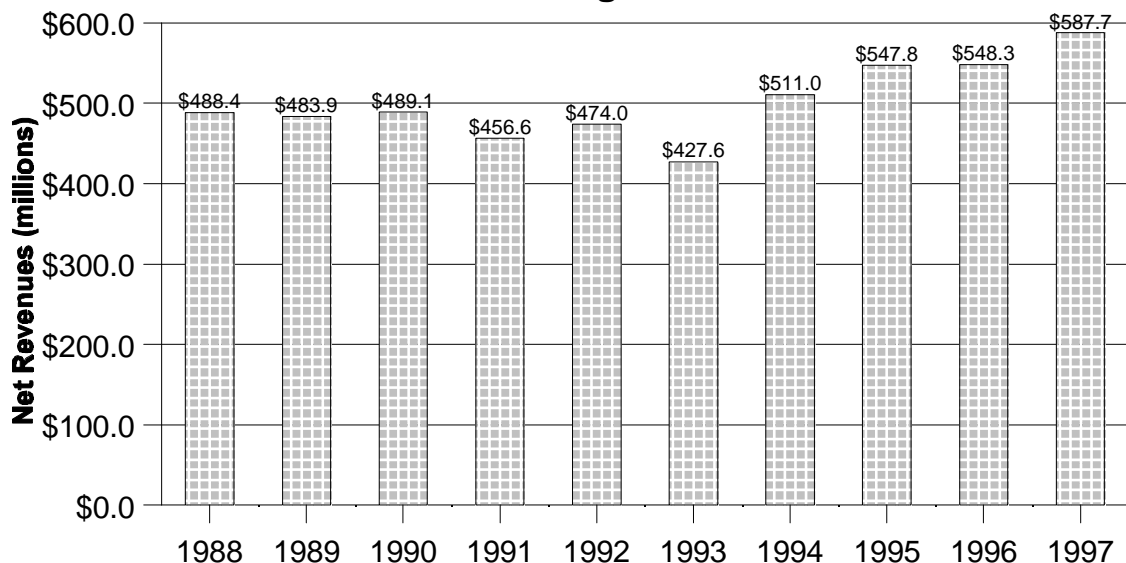
OVERVIEW - BUREAU OF STATE LOTTERY

The Bureau of State Lottery is a Type 1 agency within the Department of Treasury. Under the direction of the Lottery Commissioner, the Bureau administers all state lottery games and regulates bingo and all forms of charitable gaming. The mission of the Bureau is to provide lottery games which will maximize net revenues for the School Aid Fund for K-12 education consonant with the general welfare of the state. The Bureau operates a number of games, including: a host of ever-changing instant games, Daily, Lotto, Keno, and the multi-state "The Big Game."

By statute, the operations of the Bureau are financed entirely from proceeds derived from restricted lottery ticket sales revenue. After payment of prizes and payment of expenses of the Bureau, the net revenue and interest earned by the state Lottery Fund is deposited in the state School Aid Fund and distributed as provided by law. By and large, the success of the Bureau is measured by its contributions to the School Aid Fund. In FY 1996-97, \$587.7 million was credited to the School Aid Fund from the Lottery Fund. The chart below shows net revenues to the School Aid Fund increasing each of the past five fiscal years.

The FY 1998-99 budget includes \$33.9 million in Gross appropriations to support the operation of the Bureau, a decrease of 8.2% below the current-year appropriation level. The budget reduces funding for advertising and promotional activities by \$3.0 million. The Bureau had received an increase of \$3.5 million for advertising and promotion in the FY 1997-98 budget.

Net Lottery Revenues to the School Aid Fund FY 1987-88 Through FY 1996-97



MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
<i>Program Reduction - Promotion and Advertising</i>	Gross	(\$3,000,000)
The budget reflects savings of \$3.0 million (a reduction of 15.6% below current-year level) resulting from a cut in the Bureau's promotion and advertising budget. The \$3.0 million (Gross) would revert to the state School Aid Fund.	GF/GP	\$0

ECONOMIC AND RETIREMENT ISSUES: FY 1998-99

ECONOMIC ISSUES

<i>Standard Economic Adjustments</i>	Gross	(\$16,600)
The budget reflects savings of \$16,600 (Gross) for economic adjustments associated with salary and wage, insurance, retirement, motor transport, building occupancy, and worker's compensation charges.	GF/GP	\$0

RETIREMENT ISSUES

None

MAJOR BOILERPLATE CHANGES: FY 1998-99

Lottery Advertising Study

The budget includes new language (Sec. 975) requiring the Bureau to contract with an independent third party to conduct a study on the impact that advertising and promotional activities have on lottery revenues. The new language requires that a study proposal be submitted to the House and Senate Appropriation Subcommittees on General Government prior to November 1, 1998, and requires the study to be completed and presented to the subcommittees prior to April 1, 1999.

VETOES: FY 1998-99

None

REVENUE INCREASES: FY 1998-99

None

SUPPLEMENTAL APPROPRIATIONS: FY 1997-98

Retirement Savings

Retirement savings are realized from changing the actuarial funding methods and assumptions of the State Employees' Retirement System. These savings are reflected in a negative supplemental appropriation for FY 1997-98.

Gross
GF/GP

(\$386,700)
\$0

TREASURY - REVENUE SHARING/ DEBT SERVICE

PUBLIC ACT 310 OF 1998

Analysts: Craig Thiel and Steve Marasco

	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1997-98	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	0.0	0.0
GROSS	\$1,437,642,600	\$1,480,317,500	\$42,674,900	3.0
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$1,437,642,600	\$1,480,317,500	\$42,674,900	3.0
FEDERAL	0	0	0	0.0
LOCAL	700,000	700,000	0	0.0
PRIVATE	0	0	0	0.0
OTHER	1,368,400,000	1,380,700,000	12,300,000	0.9
GF/GP	\$68,542,600	\$98,917,500	\$30,374,900	44.3

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02/19/98

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Conference
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Effective
07/30/98

OVERVIEW - DEPARTMENT OF TREASURY REVENUE SHARING/DEBT SERVICE

The Department of Treasury administers the various revenue sharing programs to local units of government. The FY 1998-99 budget provides for three distinct revenue sharing programs: constitutional state general revenue sharing grants, statutory state general revenue sharing grants, and special census revenue sharing payments. The budget caps the total general revenue sharing payments by appropriating \$1,380.7 million for FY 1998-99. This represents a 2.2% increase above the estimated FY 1997-98 figure (\$1,351.0 million). The additional revenue that would be distributed under the statutory provisions of the current formula (estimated at \$21.5 million) is expended elsewhere in the state budget.

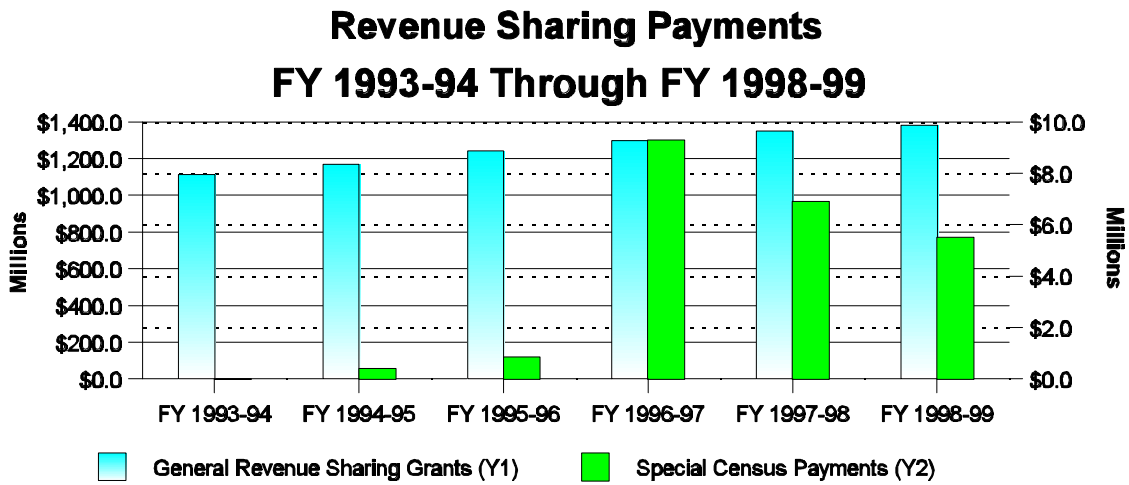
The budget also contains \$5.5 million (GF/GP) for special census revenue sharing payments to qualified local units for FY 1998-99, an increase of \$500,000 from the FY 1997-98 level. These payments are made to cities, townships, and villages that have experienced a certain level of population growth since the last decennial census. June 30, 1997, was the last date by which local units could qualify for special census revenue sharing payments until after the 2000 census.

Debt service for three long-term general obligation bond programs also appears in the Department of Treasury's budget: Water Pollution Control Bonds, School Bond Loans, and Quality of Life Bonds. The budget appropriates a total of \$94.1 million for the debt service associated with these programs in FY 1998-99, an increase of 46.5% over the FY 1997-98 YTD level (\$29.9 million). The marked increase in FY 1998-99 is provided to cover the debt service payments for two recent bond issues (Quality of Life and School Bond) and an anticipated new issue in FY 1998-99 (Quality of Life).

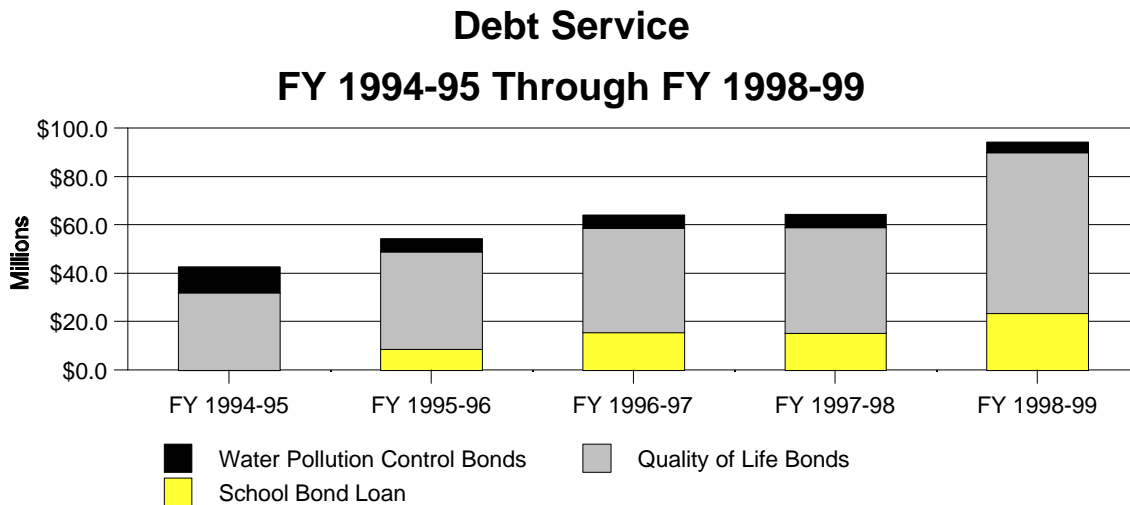
A FY 1997-98 negative appropriation of \$41.4 million was made to reflect the actual debt service requirements for the current year. The FY 1997-98 budget had originally included a \$41.4 million increase to satisfy obligations of anticipated current-year bond issues; however, the debt service for these issues will not begin until FY 1998-99.

The first chart following this Overview shows revenue sharing payments to local units for FY 1993-94 through FY 1998-99. The figures for FY 1997-98 are based on consensus revenue estimates and actual amounts while FY 1998-99 figures are based on appropriated amounts.

The second chart following this Overview displays the debt service payments for each of the three bond programs for FY 1994-95 through FY 1998-99. The figures for FY 1998-99 are estimates, based on the appropriation amounts for each program.



Source: House Fiscal Agency



Source: House Fiscal Agency

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
1. General Revenue Sharing to Local Governments	Gross	\$29,700,000
The FY 1998-99 budget appropriates a total of \$1,380.7 million for general revenue sharing payments to local units under constitutional and statutory provisions, an increase of \$29.7 million (Gross) or 2.2% over FY 1997-98 estimated levels (\$1,351.0 million).	GF/GP	\$0
2. Special Census Revenue Sharing Payments	Gross	\$500,000
Included is \$5.5 million (GF/GP) to provide special census revenue sharing payments to qualified local units for FY 1998-99, an increase of \$500,000 from the FY 1997-98 level. In addition to general revenue sharing payments, these special census revenue sharing payments are made to local jurisdictions that have experienced substantial population growth since the last decennial census. June 30, 1997, was the last day a local jurisdiction could qualify for a distribution under this program until after the 2000 census.	GF/GP	\$500,000
3. Debt Service - Water Pollution Control	Gross	(\$1,080,000)
A reduction of \$1.1 million (GF/GP) is made for debt service associated with this program to reflect scheduled payments for existing issues in FY 1998-99.	GF/GP	(\$1,080,000)
4. Debt Service - School Bond	Gross	\$8,305,000
An increase of \$8.3 million (GF/GP) over FY 1997-98 YTD levels is provided to cover the debt service associated with existing issues for this program in FY 1998-99.	GF/GP	\$8,305,000
5. Debt Service - Quality of Life Bond	Gross	\$22,649,900
An increase of \$22.6 million (GF/GP) over FY 1997-98 YTD levels is provided to cover the debt service associated with existing issues and anticipated issues for this program in FY 1998-99.	GF/GP	\$22,649,900

ECONOMIC AND RETIREMENT ISSUES: FY 1998-99

ECONOMIC ISSUES

None

RETIREMENT ISSUES

None

MAJOR BOILERPLATE CHANGES: FY 1998-99

Revenue Sharing Cap at Appropriation Level

Language is included (Section 964) which provides that if the constitutional revenue sharing payments exceed the amount appropriated, then the statutory general revenue sharing payments will be reduced by the same amount. This section effectively caps total revenue sharing payments at the total amount appropriated.

VETOES: FY 1998-99

None

REVENUE INCREASES: FY 1998-99

None

SUPPLEMENTAL APPROPRIATIONS: FY 1997-98

Negative Supplemental - Debt Service Payments

A negative supplemental appropriation for FY 1997-98 is made to reflect the actual current-year debt service requirements for existing bond issues. The FY 1997-98 budget originally included an increase of \$41.4 million to meet debt service payments for new bond issues associated with the School Bond Loan and Quality of Life Bond Programs. Although new bonds were issued, the debt service payments for these bonds will not begin until FY 1998-99 and, therefore, the increase is not needed in the current year. These savings are re-directed to the Family Independence Agency to enhance day care services.

Gross	(\$41,400,000)
GF/GP	(\$41,400,000)